Standard Industries Ltd. Annual Report March 31, 1977

SUPPLIERS OF BASIC BUILDING MATERIALS

Standard Industries Ltd.

1224 Lawrence Avenue West
Toronto, Ontario M6A 1E4
(Telephone (416) 781-5211)

THE COMPANY

Standard Industries Ltd. is one of the largest producers and suppliers of basic building materials in Canada. The company produces and markets sand, gravel and crushed stone, asphalt mixes, ready-mix concrete, concrete pipe and block, prestressed concrete pressure pipe, other precast concrete products, slag cement, and bagged dry-mix concrete; it is also a street paving and highway contractor.

The company's products are the basic materials indispensable to all kinds of building. Its market areas are in heavily-populated southern and eastern Ontario, the North Bay area of Ontario, and the province of Nova Scotia.

The company is publicly owned by 1,030 shareholders, including Canada Cement Lafarge Ltd. and Pitts Engineering Construction Limited (holding approximately 49% and 33% respectively). The shares are listed on the Toronto Stock Exchange and traded under the symbol SIS. Dividends have been paid in every fiscal year since 1948.

CONTENTS

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held in the Territories Room of the Royal York Hotel, Toronto, at 10:30 a.m. on Wednesday, June 15, 1977. All shareholders are cordially invited to attend.

VALUATION DAY VALUE

For the purpose of calculating income tax on capital gains, the value of the company's shares as established December 22, 1971 is $3.83\frac{1}{3}$ per share.

FRONT COVER

Aspects of the company's new plant at Stouffville for the manufacture of prestressed concrete pressure pipe.

The Year Ended March 31, 1977 in Brief

FACTS AT A GLANCE

	March 31 1977	March 31 1976
EARNINGS AND DIVIDENDS		
Income (before extraordinary item)	$ 4,404,000	$ 4,830,000
Per share	$1.40	$1.53
Gain on disposal of properties	—	1,217,000
Per share	—	$0.39
Net income	4,404,000	6,047,000
Per share	$1.40	$1.92
Dividends to shareholders	2,000,000	1,883,000
Per "A" share	63.75¢	60¢
Per "B" share	54.1875¢	51¢
OTHER FINANCIAL		
Sales	$84,079,000	$74,854,000
Capital investment during the year	8,799,000	11,833,000
Working capital at year end	6,463,000	7,111,000
Shareholders' equity per share	$10.65	$9.89
STATISTICAL		
Number of employees—		
mid-year	1,630	1,530
year end	980	1,069
Number of shareholders, year end	1,030	1,096

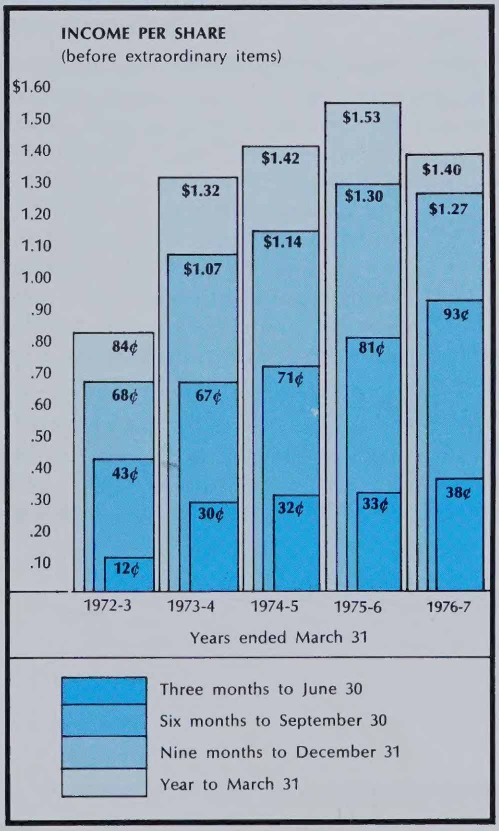
HIGHLIGHTS

Income (before extraordinary item) decreased by 8.8% from last year, on sales which increased 12.3% in dollar volume. Softening markets and anti-inflation pricing restraint had an increasingly adverse effect on earnings as the year progressed.

Dividends declared amounted to 63.75¢ per share on the "A" shares (60¢ last year) and 54.1875¢ per share on the "B" shares (51¢ last year). The quarterly dividend paid was increased November 5, 1976. Dividends are subject to the restraints provided for by the Anti-Inflation Act.

The slag cement plant at Stoney Creek came into production early in the year; its market acceptance has been such that we are doubling its capacity in 1977/78.

Manufacture of prestressed concrete pressure pipe started at our new Stouffville plant in October 1977 and we are very satisfied with its progress.



Directors, Officers and Management

DIRECTORS

S. C. COOPER
President and a Director of Pitts Engineering Construction Limited

HUGH F. GRIGHTMIRE
President of the Company

J. B. HANLY
Consultant — former Vice-President of Canada Cement Lafarge Ltd.

J. D. JARRELL
Senior Vice-President and a Director of Pitts Engineering Construction Limited

P. JONGENEEL
Senior Vice-President and Treasurer of Canada Cement Lafarge Ltd.

D. G. LAWSON
President of Moss Lawson & Co. Limited

T. H. STEVENSON
Corporate Director

T. A. WILCOX
Executive Vice-President of the Company

OFFICERS

HUGH F. GRIGHTMIRE
President

T. A. WILCOX
Executive Vice-President

T. D. JONES
Vice-President and Secretary-Treasurer

A. H. BAXTER
Vice-President

E. F. FORD
Vice-President

M. E. McRAE
Vice-President

C. C. MOYER
Vice-President

R. F. TITUS
Vice-President

G. H. HAWKETT
Comptroller

E. J. HADDEN
Assistant Secretary-Treasurer

MANAGEMENT OF SUBSIDIARIES AND DIVISIONS

A. H. BAXTER
Red-D-Mix Concrete Company, Standard Paving Company, North Bay Concrete & Supply Company, E. V. Breckon Limited

E. F. FORD
McCord & Company, York Block and Building Supply, Marker Building Materials (Cataraqui) Limited

M. E. McRAE
Concrete Pipe Company, Oaks Precast Industries Limited, Oaks Transport Limited, Standard Pressure Pipe Company

C. C. MOYER
Consolidated Sand & Gravel, Company, J. F. Marshall & Sons Limited, Jiffy Dry-Mix Concrete Products Ltd., Point Anne Quarry Company, Brechin Crushed Stone Company, Haldimand Quarries and Construction Limited

R. F. TITUS
Standard Paving Maritime Limited

REGISTRAR AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
20 Eglinton Avenue West, Toronto, Ontario

AUDITORS

THORNE RIDDELL & CO.
Chartered Accountants
Royal Trust Tower
Box 262, Toronto-Dominion Centre
Toronto, Ontario

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF NOVA SCOTIA
ROYAL BANK OF CANADA

Report to Our Shareholders

Hugh F. Grightmire, President and
T. A. Wilcox, Executive Vice-President

EARNINGS, SALES AND DIVIDENDS

In the second year of the current business slowdown, your company's earnings declined for the first time since 1971, although sales dollars and quantities continued to increase. Income of $4,404,000 — $1.40 per share — was 8.8% lower than last year's $4,830,000 — $1.53 per share — before an extraordinary gain on disposal of properties. Sales of $84,079,000 were 12.3% higher than last year's $74,854,000.

Quarterly dividend rates were raised with the November 5, 1976 dividend to 16.25¢ for "A" shares and 13.8125¢ for "B" shares from the rates of 15¢ and 12.75¢ repectively. This increase conformed to the restraints on dividends imposed by the Anti-Inflation Act. Dividends declared and paid were:

Date Declared	Record Date	Date Paid	"A" Shares	"B" Shares*
May 12/76	July 21/76	Aug. 5/76	15¢	12.75¢
Sept. 29/76	Oct. 22/76	Nov.5/76	16.25¢	13.8125¢
Nov. 25/76	Jan. 21/77	Feb. 4/77	16.25¢	13.8125¢
March16/77	April 21/77	May 5/77	16.25¢	13.8125¢
			63.75¢	54.1875¢

REVIEW OF OPERATIONS

The effects of pricing restraint called for by the Anti-Inflation Act have become more and more apparent in the course of the year; our return on sales steadily declined to 5.2% from last year's level of 6.5%. Soft markets for some products contributed to the decline, which was intensified in the final quarter by the harshest winter experienced for many years.

The demand for aggregates, ready-mix concrete and concrete block showed little improvement from the depressed levels of the previous year in our major market areas and seriously eroded our profit margins on these products.

Sales of asphalt mixes declined in quantity; anti-inflation constraints combined with market forces have denied us an adequate return on our recent investments in new asphalt plants.

Sales volume of concrete pipe and precast concrete products increased moderately, but without a proportionate increase in their contribution to earnings.

Our line of Jiffy bagged dry-mix products increased its sales by 50% — although these are small in relation to total sales — with a comparable increase in its contribution to earnings.

New products introduced during the year — slag cement and prestressed concrete pressure pipe — are doing very well. Slag cement came into full production in October and has been well received by the market. Our plant at Stoney Creek is being enlarged to double its present capacity in time for the 1978 operating season. Production of prestressed concrete pressure pipe started up in October at the Stouffville plant and the results have more than met our expectations. We expect a very positive contribution from this operation in the coming year.

Volume of paving and road-building work and the operating results obtained increased satisfactorily. Income from our investment in associated companies also improved. These companies process blast furnace slag and manufacture gaskets for concrete pipe.

*Dividends on "B" shares were paid out of tax-paid undistributed surplus.

Report to Our Shareholders (continued)

THE ANTI-INFLATION PROGRAMME

Your company is subject to the federal government's Anti-Inflation Act and regulations, introduced in October 1975. We are required to report on price changes, profit margins, and changes in wages and salaries, and to comply with permitted guideline levels of pay increases and product-line earnings. While this is questionably effective in abating inflation, it is undoubtedly expensive and burdensome to the private sector of the economy.

The following table illustrates that in the past year the proportion of the sales dollar applied to payrolls and to purchases of materials and services has increased, and the proportion available for reinvestment in the business has decreased.

Sales Dollar Distribution

	1977	1976
Payrolls	26.8¢	26.4¢
Purchases of materials and services, interest and taxes	60.0	57.6
Dividends	2.4	2.5
Available for reinvestment (earnings retained, depreciation and income taxes deferred)	10.8	13.5
	100.0¢	100.0¢

This is partly the effect of market forces, but much of it results from the anti-inflation programme. Where the market would permit us a price increase, the increase can only be legitimized in the proportion that costs are increasing for that product line; this hardly encourages cost consciousness. Where the market does not permit a price increase, the vendor is allowed no offset for his cost increases against other product line earnings.

The longer the programme is in effect, the greater the perversion of effective production and marketing practices, and the greater the problems of returning to an economic climate which encourages investment and productivity.

CAPITAL INVESTMENT

The current phase of the company's diversification programme is now complete. The project for manufacturing prestressed concrete pressure pipe went into production in October and has been building up sales volume very satisfactorily. We expect this operation to develop a good level of earnings quite soon. Slag cement is now available in volume from our recently completed Stoney Creek plant, and we have equipped most of our major ready-mix locations with the needed additional storage and supply facilities. A new asphalt plant has been installed in North Bay to meet the increasing demand in that market. The facilities of the Brechin quarry and of the Pickering rail yard, receiving stone shipped from the Point Anne Quarry, have been improved. A new ready-mix concrete plant is now complete at our Hamilton Dock site, superseding the former plant on that site and the obsolete Hamilton East plant. These diversification and expansion projects accounted for $4.9 million of the total capital investment of $8.8 million for the year.

The remaining $3.9 million was invested in renewing and upgrading manufacturing plant and machinery, paving and road-building equipment, aggregates excavating and loading units, and our fleet of ready-mix trucks and other vehicles.

The peak number of employees on the payroll for the year was 1,630 so that the year's programme represents an investment of $5,400 for every job.

The net total of $53.7 million of capital employed in the company's operations represents $33,000 as an average to support each employee.

Report to Our Shareholders (continued)

EMPLOYEE RELATIONS

Levels of employment increased during the year with the addition of slag cement and pressure pipe to our operations, and mid-year employment reached 1,630 employees, compared with 1,530 the previous year. By year-end, however, employment had fallen to 980 (previous year, 1,069), reflecting the low level of activity at that time.

Almost all collective agreements with the various labour unions representing our hourly-paid employees expired during the past year and were renewed for two year periods without labour interruptions. The existence of anti-inflation restraints on permissible wage and salary increases introduced an unfamiliar and disturbing influence to the bargaining table. It is gratifying that in every case agreements were reached without breaching the guidelines. There are no major collective agreements due for renegotiation in the coming season.

The company maintains an extensive income security programme for our salaried staff, covering all aspects of medical and dental need, disability benefits, group life insurance and retirement benefits. Improved dental and vision care benefits were added during the past year.

PROSPECTS FOR 1977/78

The outlook for the construction industry and the economy generally in our market areas is not very positive for the coming year. Continuance of the anti-inflation programme and uncertainties in the application of its new pricing rules will act as depressants. On the other hand, slag cement and pressure pipe will be operating at higher volumes and generating better profit margins. On balance we are quite cautious in our expectations for 1977/78, and expect earnings from most product lines to be constant with some improvement coming from our newer products.

Except for increasing our productive capacity in slag cement, we have no major projects on hand at present. Planned capital investment for the coming year amounts to $6.5 million, somewhat less than our investment in each of the last three fiscal years.

The corporate development department is continually searching out and screening business situations which might afford our company opportunities for profitable growth and expansion, in areas allied to our present range of activities. Currently, our enquiries are increasingly beamed towards the UnitedStates, where investment now appears to be more attractive and, at the same time, less obstructed by regulatory roadblocks.

APPRECIATION

We would like to thank all of the company's employees for their contribution in the past year, and to express our appreciation of the support received from our many customers, suppliers and shareholders.

On behalf of the board of directors,
HUGH F. GRIGHTMIRE, President.

The company's sales effort is directed and coordinated by the divisional sales managers, with responsibility for formulating sales policies and pricing policies to ensure long-term growth and profitability.

Pictured above, from left to right, are Wilfred Gray (Concrete Pipe Company), Francis Murphy (Red-D-Mix Concrete Company), Lawrence Brown (Aggregates Division), Gary Wilson (Standard Pressure Pipe Company), Neil Roe (McCord & Company) and Ian Hatton (Oaks Precast Industries Limited).

"The emphasis is on sales . . ."

Your company's sales and marketing staff numbers 59, one-sixth of our entire salaried staff. It is a very essential part of our organization.

Our salesmen are first and foremost the public relations and customer relations men of the company. Their attitudes and deportment must indicate that the company exists primarily to satisfy its customers' ever-changing needs.

With this in mind, our sales people make personal visits to customers' offices on a regular basis, to maintain a good relationship and keep our name and products fresh in the customer's mind. Such visits provide an occasion for dealing with enquiries about product applications, specifications, quantity estimates and, of course, prices.

Visiting the customer's jobsite is every bit as important in keeping us in touch with his needs. This assures the customer of our interest in his work and our concern for his problems. We can confirm, on the spot, that our standards of service and product quality are being maintained and can often suggest ideas for greater efficiency or better equipment utilization.

Satisfying customer needs calls for an awareness of what is going on in the trade generally. Each sector of the construction industry has its own trade association, and members of our sales staff participate actively as officers or on committees of these associations.

Our sales staff must have a thorough knowledge of the products they sell and of their uses. They must be in frequent contact with consultants and municipal engineers to increase user familiarity with our products. They must often assist our contractor customers to quote for contracts by estimating in detail the product quantities required for a contract; this can be a highly technical and time-consuming task requiring a knowledge of widely varying municipal, regional and provincial standards for its accurate completion.

Our salesmen are important sources of market intelligence. They keep us informed of new developments in the market place that may affect our performance or that of our competitors. They collect and report information on product usage, examine and analyse building permits issued, attend tender openings and report results, forecast our own sales expectations, and from time to time formalize our sales budgets.

All these responsibilities require a sales staff that is aggressive, ambitious, well-educated and well-informed about our business and our products. Your company's progress demonstrates the degree to which they meet these exacting requirements.

Financial Review

QUARTERLY SALES AND EARNINGS

Quarterly sales and earnings, which fluctuate because of the seasonal nature of the company's business, are shown in the tabulations at right for the past five years.

Quarterly sales ($'000)	years ended March 31 1977	1976	1975	1974	1973
June 30	22,668	18,832	17,401	16,015	12,283
September 30	29,548	25,432	23,579	20,946	18,575
December 31	22,334	21,033	19,064	16,604	14,534
March 31	9,529	9,557	9,650	9,867	7,985
Year	84,079	74,854	69,694	63,432	53,377

Quarterly earnings* (cents per share)	years ended March 31 1977	1976	1975	1974	1973
June 30	38¢	33¢	32¢	30¢	12¢
September 30	55	48	39	37	31
December 31	34	49	43	40	25
March 31	13	23	28	25	16
Year	$1.40	$1.53	$1.42	$1.32	84¢
Earnings*/sales	5.2%	6.5%	6.4%	6.5%	4.9%

(*before extraordinary item)

In the first and second quarters of 1977 sales were well ahead of the preceding year and earnings advanced by 15%. In the third and fourth quarters, however, sales levels fell back to the preceding year's level and earnings declined to approximately 2/3rd's of those achieved in 1976, as a result of declining volume, intensified competitive pressure, and anti-inflation restraints on product prices.

INCOME TAXES

Income taxes for the year to March 31, 1977 were 37.5% of income before taxes compared with 39.7% in the year to March 31, 1976. The lower 1977 rate reflects the overall decline in the federal tax rate and an increase of $70,000 in the 5% investment tax credit applicable to certain capital additions during the year. Tax deferments at $1,181,000 arising mainly from capital cost allowances were almost $1 million less than the previous year. Although the fast write-offs for manufacturers were again applicable to a large proportion of our additions to plant and equipment during the year, prior years' additions still available for fast write-off are being used up very rapidly.

WORKING CAPITAL

At March 31, 1977, the company's working capital was $6,463,000 a decrease of $648,000 from the previous year-end. Funds from operations were sufficient during the year to finance the capital investment programme, as well as to meet the dividend requirements. The decline in working capital during the year results largely from the net decrease of $911,000 in long term debt.

Lower cash balances resulted from the greater accounts receivable and inventories carried at the year-end, partly as a result of the start-up of the company's new pressure pipe plant during the year. The balance of increase in these assets results from the general effect of inflation and a lower level of business activity during the winter months than had been expected.

The high accounts payable balances are caused by the large capital expenditures near the end of the fiscal year.

LONG-TERM DEBT

To maintain the company's working capital position while capital investments continued at a high level, a further $1,000,000 was drawn from the authorized $10,000,000 ten-year bank term loan. At March 31, 1977, $4,000,000 remains to be drawn and will be used to finance furture capital investments.

Standard Industries Ltd.

CONSOLIDATED INCOME
Year ended March 31, 1977

	In Thousands of Dollars	
	1977	1976
REVENUE		
Sales and contract revenue	$ 84,079	$ 74,854
Income from associated companies and other investments	538	641
	84,617	75,495
EXPENSE		
Cost of sales and operating expenses	65,256	56,337
Administration and selling	5,579	4,931
Depreciation and depletion	5,468	4,988
Interest on long-term debt	1,123	1,147
Other interest	142	87
	77,568	67,490
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	7,049	8,005
Income taxes (note 4)	2,645	3,175
INCOME BEFORE EXTRAORDINARY ITEM	4,404	4,830
Per share	1.40	1.53
Gain on disposal of properties, net of income taxes thereon $178,000	—	1,217
Per share	—	.39
NET INCOME	$ 4,404	$ 6,047
Per share	1.40	1.92

CONSOLIDATED RETAINED EARNINGS
Year ended March 31, 1977

	1977	1976
Retained earnings at beginning of year	$ 27,565	$ 23,401
Net income	4,404	6,047
Dividends — A shares — 63.75¢ per share (1976 — 60¢); B shares — 54.1875¢ per share (1976 — 51¢)	(2,000)	(1,883)
RETAINED EARNINGS AT END OF YEAR	$ 29,969	$ 27,565

Standard Industries Ltd.

(Incorporated under the laws of Ontario)

CONSOLIDATED FINANCIAL POSITION
March 31, 1977

	In Thousands of Dollars	
	1977	1976
CURRENT ASSETS		
Cash and short-term investments at cost which approximates market	$ 1,233	$ 3,091
Receivables	8,760	7,858
Inventories, valued at the lower of cost and net realizable value —		
Finished materials and products	5,525	4,718
Raw materials and supplies	2,149	1,435
Prepaid expenses	795	984
	18,462	18,086
CURRENT LIABILITIES		
Accounts payable and accrued	9,207	8,782
Dividends payable	510	470
Income taxes	371	156
Long-term debt, current portion	1,911	1,567
	11,999	10,975
WORKING CAPITAL	6,463	7,111
MORTGAGES RECEIVABLE, less current portion included with receivables	770	919
INVESTMENTS IN ASSOCIATED COMPANIES	926	786
PROPERTY, PLANT AND EQUIPMENT, at cost less accumulated depreciation and depletion (note 2)	45,525	42,193
CAPITAL EMPLOYED	53,684	51,009
Deduct:		
Long-term debt (note 3)	9,405	10,315
Deferred income taxes	10,747	9,566
	20,152	19,881
SHAREHOLDERS' EQUITY	$ 33,532	$ 31,128
Derived from:		
Capital stock (note 5)		
Authorized — 4,000,000 shares of no par value		
Issued — 3,083,019 Class "A" shares		
64,869 Class "B" shares		
3,147,888	$ 3,563	$ 3,563
Retained earnings	29,969	27,565
Total Shareholders' Equity	$ 33,532	$ 31,128

Approved by the Board:
Hugh F. Grightmire, Director.
D. G. Lawson, Director.

CONSOLIDATED CHANGES IN FINANCIAL POSITION
Year ended March 31, 1977

	In Thousands of Dollars	
	1977	1976
WORKING CAPITAL DERIVED FROM		
Operations:		
Income before extraordinary item	$ 4,404	$ 4,830
Add (Deduct) items not involving working capital:		
Depreciation and depletion	5,468	4,988
Income taxes deferred	1,181	2,151
Excess of equity in earnings of associated companies over dividends received	(140)	(133)
	10,913	11,836
Reduction in mortgages receivable	149	145
Increase in long-term debt	1,000	7,060
Gain on disposal of properties	—	1,217
	12,062	20,258
WORKING CAPITAL APPLIED TO		
Additions to property, plant and equipment, net	8,799	11,119
Purchase of shares of subsidiary company, adjusted for working capital at the date of acquisition	—	714
Capital investment	8,799	11,833
Dividends	2,000	1,883
Reduction in long-term debt	1,911	5,192
	12,710	18,908
INCREASE (DECREASE) IN WORKING CAPITAL	(648)	1,350
Working capital at beginning of year	7,111	5,761
Working capital at end of year	$ 6,463	$ 7,111

AUDITORS' REPORT

To the Shareholders of
Standard Industries Ltd.

We have examined the consolidated financial statements, appearing on pages 9 through 13, of Standard Industries Ltd. for the year ended March 31, 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 2, 1977

THORNE RIDDELL & CO.,
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1977

NOTE 1. ACCOUNTING POLICIES

a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Standard Industries Ltd. and its subsidiaries, all of which are wholly owned.

b) Investments in Associated Companies (50% or less owned)

Investments in associated companies are accounted for on the equity method. Under the equity method, the company's share of the net income of these associated companies is included in consolidated income each year, and the company's investments in these associated companies are carried in the consolidated financial position at the underlying fair value at the date of acquisition plus the company's share of undistributed earnings since acquisition.

c) Deferred Income Taxes

The company uses the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenue and expenses reflected in the financial statements in one year are considered for tax purposes in another year) result in increases or decreases in deferred income taxes.

d) Interim Financial Reports

Depreciation, depletion, repair and overhaul and other fixed overhead costs are provided for on an annual basis in relation to anticipated sales volume for the year and are charged against operations based on the sales volume during each interim period.

e) Depreciation and Depletion

Buildings, plant and equipment are depreciated over their estimated useful lives (buildings 25 years, plant and equipment 5 to 15 years) on a straight line basis. The costs of aggregate deposits are depleted on a unit-of-production method based on total estimated recoverable reserves.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

	In Thousands of Dollars	
	1977	1976
Land and aggregate properties	**$11,644**	$11,370
Buildings, plant and equipment	**68,324**	60,579
	79,968	71,949
Less accumulated depreciation and depletion	**34,443**	29,756
	$45,525	$42,193

NOTE 3. LONG-TERM DEBT

	In Thousands of Dollars	
	1977	1976
Bank term credit, secured, repayable $500,000 annually with the balance due December 31, 1985 (interest at $1^1/_2$% above prime rate)	$ 5,500	$ 5,000
Bank term loans due 1977/1982 (interest at 1.2% over prime rate — weighted average)	2,125	2,250
Mortgages payable, due 1977/1985 (interest at 8.4% — weighted average)	3,691	4,632
	11,316	11,882
Less current portion	1,911	1,567
	$ 9,405	$10,315

Long-term debt matures as follows in the years ending March 31, 1978 $1,911,000; 1979 $1,936,000; 1980 $1,629,000; 1981 $1,309,000; 1982 $1,072,000.

An additional $4,000,000 of bank term credit was authorized and has not yet been drawn. This amount will be drawn as required to provide funds for future capital investments.

NOTE 4. INCOME TAXES

The reduced rate of federal income tax and the accelerated depreciation write-offs available to manufacturers and processors have been used throughout 1976 and 1977. The lower federal tax rate on manufacturing and processing income reduced the 1977 provision by approximately $375,000 (1976 — $450,000).

Through the application of investment tax credits based on the acquisition of new plant and equipment, the 1977 federal income taxes were reduced by $180,000 (1976 — $110,000).

NOTE 5. CAPITAL STOCK

The authorized capital of the company consists of 10 common shares and 3,999,990 Class "A" and Class "B" convertible common shares. The Class "A" and Class "B" shares are convertible each into the other class on a share-for-share basis. Both classes rank equally in all respects except that tax-deferred dividends may be paid on the Class "B" shares out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act. The 10 authorized common shares are unissued.

During the year, an option to purchase 62,500 shares at $9.00 per share was granted to an officer of the company. This option expires March 31,1983.

NOTE 6. PENSION PLAN

The company's share of the unfunded past service liabilities of the company's pension plans amounts to $385,000 at March 31, 1977 ($586,000 at March 31, 1976). The unfunded past service liabilities are being expensed and funded over not more than 13 years.

NOTE 7. OTHER STATUTORY INFORMATION

Total direct remuneration of directors and senior officers amounted to $471,000 ($466,000 in 1976).

NOTE 8. ANTI-INFLATION ACT

The company is subject to the federal Anti-Inflation Act which provides, from October 14, 1975, for the restraint of profit margins, prices, dividends and compensation.

Financial Statistics — 1968 to 1977

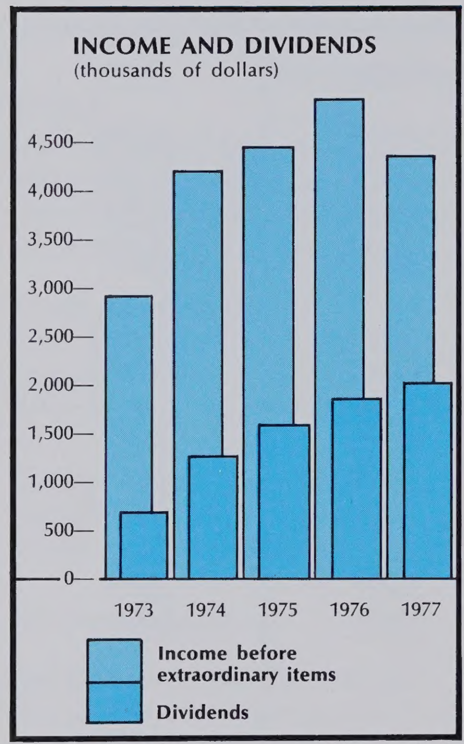
(in thousands of dollars — except per share amounts)

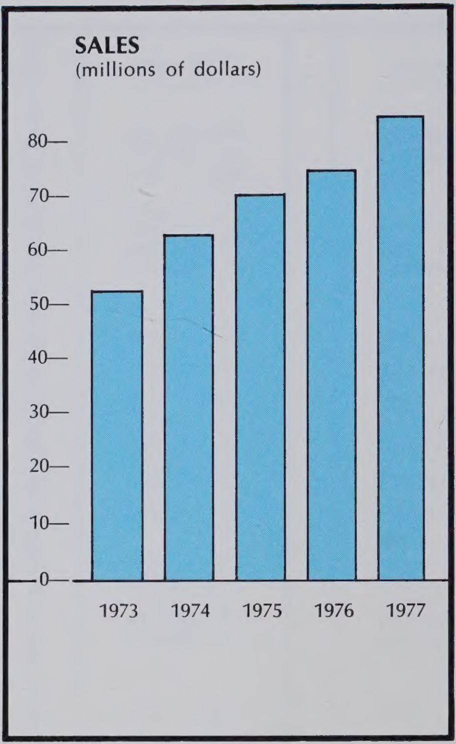
Years ended March 31	1977	1976	1975	1974
INCOME				
Sales and contract revenue	84,079	74,854	69,694	63,432
Income before extraordinary item	4,404	4,830	4,466	4,121
Gain on disposal of properties and shares		1,217	366	16
Net income	4,404	6,047	4,832	4,137
FINANCIAL POSITION				
Working capital	6,463	7,111	5,761	6,234
Fixed assets — net	45,525	42,193	35,323	30,339
Other assets	1,696	1,705	1,717	1,272
	53,684	51,009	42,801	37,845
Long-term debt	9,405	10,315	8,447	8,532
Deferred income taxes	10,747	9,566	7,390	5,969
Deposit on optioned property				
	20,152	19,881	15,837	14,501
Shareholders' equity	33,532	31,128	26,964	23,344
CHANGES IN FINANCIAL POSITION				
Income before extraordinary item	4,404	4,830	4,466	4,121
Depreciation and depletion	5,468	4,988	4,369	3,643
Deferred income taxes	1,181	2,151	1,421	1,213
Funds from operations	11,053	11,969	10,256	8,977
Gain on disposal of properties and shares		1,217	366	16
Long-term debt increase (decrease)	(911)	1,868	(85)	3,541
	10,142	15,054	10,537	12,534
Capital investment	8,799	11,833	9,353	9,871
Dividends	2,000	1,883	1,574	1,266
Mortgages receivable increase (decrease)	(149)	(145)	(31)	(305)
Other	140	133	114	(329)
	10,790	13,704	11,010	10,503
Increase (decrease) in working capital	(648)	1,350	(473)	2,031
PER SHARE*				
Income before extraordinary item	1.40	1.53	1.42	1.32
Gain on disposal of properties and shares		.39	.11	.01
Net income	1.40	1.92	1.53	1.33
Dividends on "A" shares and previous common shares	.63¾	.60	.50	.40½
Shareholders' equity	10.65	9.89	8.57	7.42

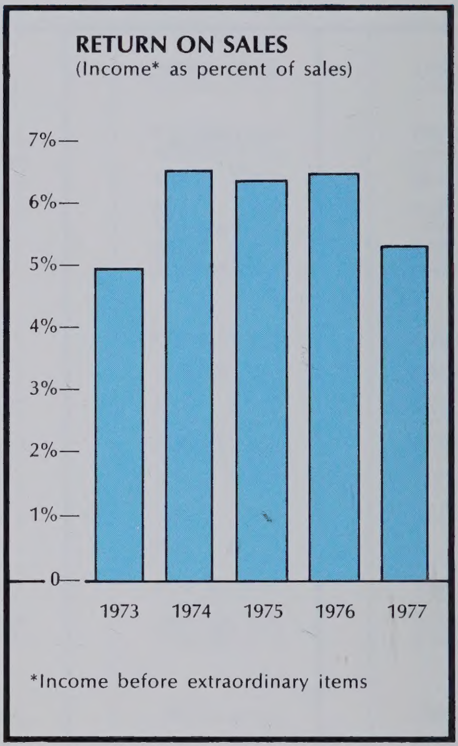
*Reflecting the 3 for 1 share split approved on November 22, 1972.

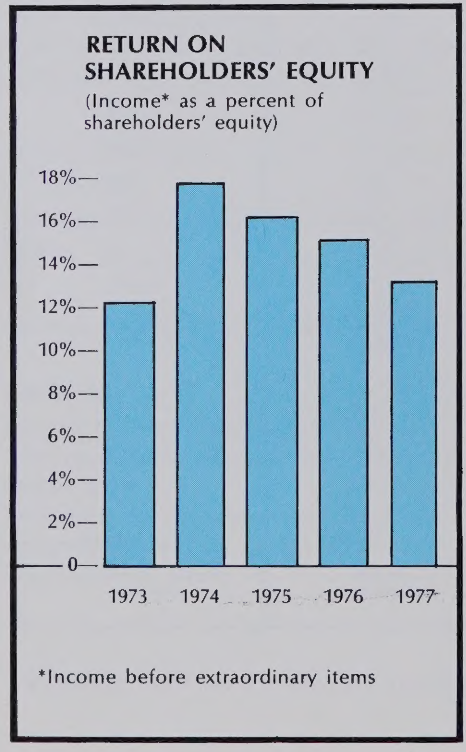
1973	1972	1971	1970	1969	1968
53,377	45,251	39,864	39,652	42,865	36,796
2,590	1,381	781	871	1,202	250
2,325	545		1,013	28	861
4,915	1,926	781	1,884	1,230	1,111
4,203	4,567	4,856	4,632	4,823	3,789
23,383	18,866	15,655	14,907	13,928	11,088
1,272	573	207	927	191	344
28,858	24,006	20,718	20,466	18,942	15,221
4,085	3,408	2,913	2,992	2,805	1,064
4,357	3,467	2,660	2,598	2,479	1,525
	598				
8,442	7,473	5,573	5,590	5,284	2,589
20,416	16,533	15,145	14,876	13,658	12,632
2,590	1,381	781	871	1,202	250
2,908	2,351	2,177	2,026	1,685	1,763
752	807	62	405	954	(41)
6,250	4,539	3,020	3,302	3,841	1,972
2,325	545		1,013	28	861
676	495	(80)	187	1,742	(17)
9,251	5,579	2,940	4,502	5,611	2,816
7,610	5,562	2,925	3,006	4,524	675
772	538	512	666	205	205
700	366	(720)	735	(29)	121
533	(598)		286	(123)	30
9,615	5,868	2,717	4,693	4,577	1,031
(364)	(289)	223	(191)	1,034	1,785
.84	.45	.25	.28	.39	.08
.75	.18		.33	.01	.28
1.59	.63	.25	.61	.40	.36
.25	.17½	.16⅔	.21⅔	.06⅔	.06⅔
6.60	5.38	4.93	4.84	4.44	4.11

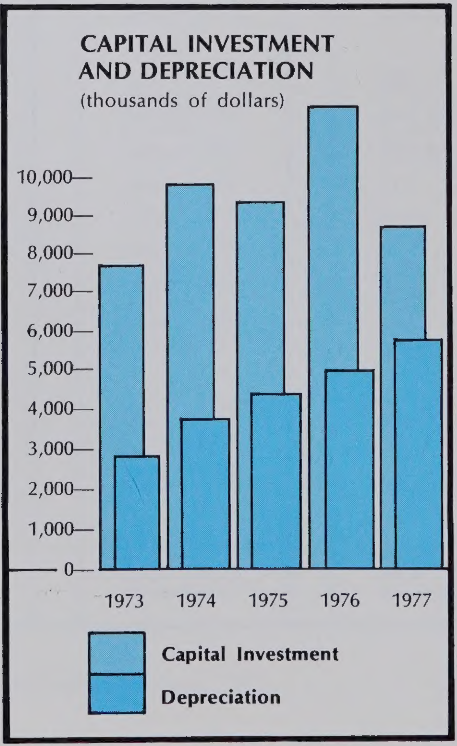
Financial Trends at a Glance

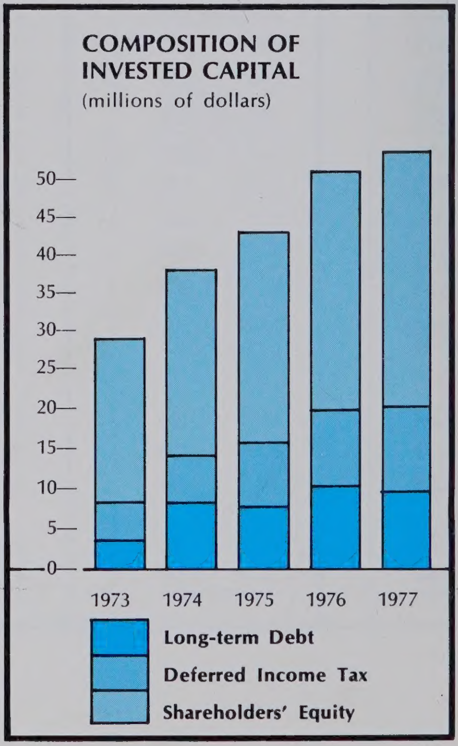




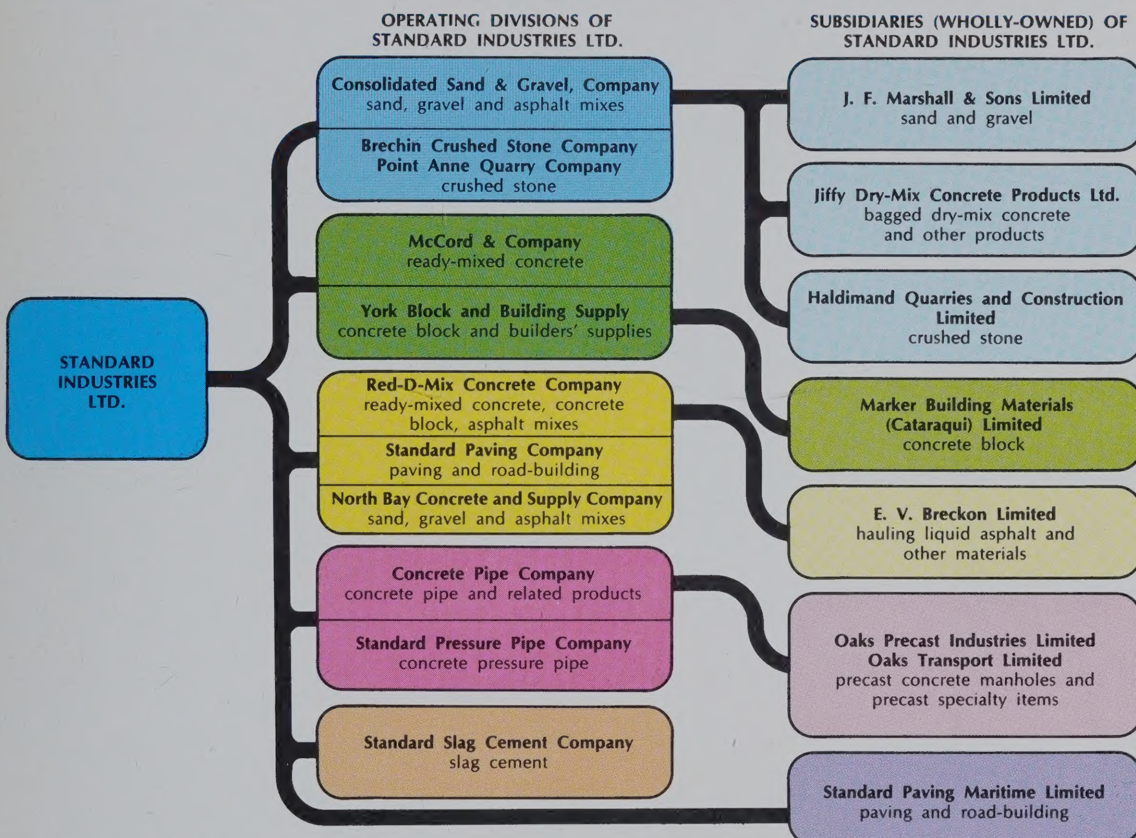








Corporate Organization



PRODUCTS AND LOCATIONS

SAND AND GRAVEL PLANTS
Paris, Ont. (2 plants)
Guelph
London, Ont.
Mono Mills
Stouffville
Pickering
North Bay
Durham

QUARRIES
Brechin
Hagersville
Point Anne

ASPHALT MIX PLANTS
Paris, Ont.
Guelph
Pickering
St. Catharines
Halifax, N.S.
Toronto (2 plants)
Hamilton (2 plants)
North Bay
Kentville, N.S.

CONCRETE BLOCK PLANTS
Kingston
Richmond Hill
Sarnia
Guelph

CONCRETE PIPE PLANTS
Mississauga (Toronto)
Ottawa
London, Ont.

PRECAST CONCRETE MANHOLES AND SPECIALTY ITEMS
Guelph
Markham (Toronto)

PRESTRESSED CONCRETE PRESSURE PIPE
Stouffville

PAVING AND ROAD-BUILDING
Hamilton, Ont.
North Bay, Ont.
Halifax, N.S.
Kentville, N.S.

READY-MIXED CONCRETE PLANTS
McCord & Company —
Metropolitan Toronto (4 plants)
Mississauga
Richmond Hill
Barrie
Oshawa
Ajax

Red-D-Mix Concrete Company —
Hamilton (2 plants)
Beamsville
Brantford
Burlington, Ont.
Delhi
Fort Erie
Georgetown
Guelph
London, Ont.
Milton
Nanticoke
Niagara Falls
North Bay
Sarnia
St. Catharines
St. Thomas
Strathroy
Welland
Windsor

DRY-MIX CONCRETE
Toronto

SLAG CEMENT PLANT
Stoney Creek (Hamilton)

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420
1880
1547
3827

1209
749
1958

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